

Exhibit "A"



The Health Network of

THE CHESTER COUNTY HOSPITAL

701 E. Marshall Street • West Chester, PA 19380

Office of the President

H. L. Perry Pepper

Telephone: 610-431-5101

August 16, 1999

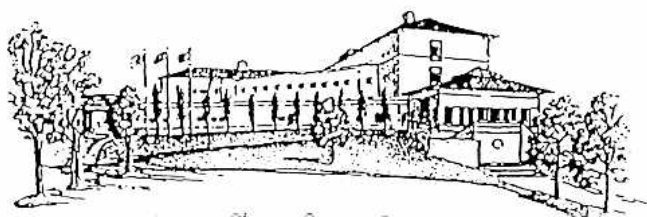
Mr. John C. Zamzow
Senior Vice President
Independence Blue Cross
1901 Market Street
Philadelphia, PA 19103-1480

Dear John:

Given the global statements you made in your last letter, it seems quite clear that Blue Cross has taken a regional approach to the market and is unwilling to move further in the direction of meeting the specific needs of our Hospital than when we met with Mr. DiBona. While our Board feels this is short sighted as it overlooks the strategic importance of this marketplace for you, it leaves us with no choice but to take or leave your last offer.

Unfortunately, this offer places our Hospital in the position of losing several hundred dollars on every Blue Cross patient or no longer being a Blue Cross participating provider. Because of Blue Cross' dominance in the market, the latter option would quickly result in the closure of this low cost charitable Hospital, while the former option only guarantees a slightly slower demise as we discontinue services and erode community assets. Frankly, if we took our mission to our community less seriously, this would be a letter of termination, for what you have proposed is surely a very bad business proposition for the people of our county.

On the following page I have outlined what Blue Cross has offered to date. Given the precarious state of our Hospital's financial situation and long-term existence, our Board has reluctantly allowed us to accept these rates for only a one-year term. This will give us the opportunity to appropriately triage the services that will have to be discontinued. Only if we can survive this destructive exercise would we then consider a longer relationship.



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Your letter also asks us to give Blue Cross "assurances" that there are no further Prudent Buyer situations in regards to your offer. I can honestly assure you that no other payor is paying us nearly as inadequately as Blue Cross. Contrary to your statement that your rates include the cost of implants, which other payors reimburse separately, your rate for a joint replacement or pacemaker will not even cover our cost for the implanted device! Once again, you will be paying us at a rate that is approximately 20% below our average cost. Though you professed shock when we tried to cut this loss in half with a request for a 20% rate adjustment, it stands in stark contrast to Blue Cross' recent filing with the State Insurance Department to increase their premium rates by 29.6% and the proposal we recently received for a 25% increase in our own employees Blue Cross health insurance premium.

I will ask Ken Flickinger to review new contract documents as soon as you can make them available.

Sincerely,



H. L. Perry Pepper
President

cc: G. Fred DiBona, Jr., President and CEO
Robert McKeown, Senior Vice President

Enclosure